

MERIT RAISE TACTICS

Once your salary is at a competitive pay level, or if it already is, you'll focus your attention on getting a healthy **Merit Raise**. A **Merit Raise** is a salary increase ostensibly based on employee performance, but in reality, driven by the budget.

Most employees just accept whatever Merit Raise they are doled out each year. But now you know you can do better than that. Let's build your custom plan with tactics you can use to maximize your next Merit Raise.

SIDE TRIP: I say "ostensibly" because I've worked at private companies, and you probably have, too, where they announce each year that, effective on such-and-such a date, everybody is getting a pay increase of 2.7% or 3.9%, or whatever it is.

In other words, it's an across-the-board increase that's usually a point or two higher than the cost-of-living index.

Here's the truth about base salary increases that sometimes masquerade as a Merit Raise: they are driven by the budget. Meaning, the amount of the annual pay increase is based on your employer's ability to pay, not based on individual performance.

This is frustrating; if you're a first-rate employee and your co-worker is average, or worse, a slacker, it's demoralizing for pay increases to be equal.

In a better scenario, employers' merit pay budgets drive the increase amount overall, but each department gets its own merit pay line item amount. Also in place would be a way for performance to be measured, and a manager who is equipped to know how to reward performance accordingly.

In any case, when you're setting performance goals with your manager, ask how your performance will be measured if that's not already clear. Aim to clarify the performance requirements that will earn you a Merit Raise in the coming year.

Staying with that scenario, let's say that in this year's budget and compensation cycle, a manager now has 3.5% more money in the department budget for merit pay increases. That's a 3.5% budget allowance for everybody in the entire department, however, he or she has some latitude on how the total amount is distributed.

The wise manager will dole out the increases to reward performance. So, for example,

if you're an outstanding employee who not only demonstrates but communicates your measurable value all year round, you are primed and positioned for your manager to allot to you a Merit Raise higher than that 3.5%.

Your manager could meet that request if he or she trims the merit pay percentage for employees who performed at a measurably lower level than you.

If there is a merit pay budget of any type, the budget is set and the amount you'll get is usually decided and approved weeks or even months before your formal Performance Review. It has to do with the budget cycle, so the timing of your request can get tricky.

That's why I advocate a year-round campaign of marketing yourself. If you demonstrate and communicate value throughout the year, your manager is more inclined to allocate a higher-than-average amount of the merit pay budget for *your* Merit Raise.

Later, when it's time for your Performance Review, the money will be there. Either it's granted, or you ask and negotiate for the figure you had in mind.

Now, that doesn't mean that if your pay raise meeting or Performance Review is coming up shortly that you can't get the Merit Raise you want; your manager will likely have some latitude around the amount. There's a negotiation term called ZOPA which stands for Zone of Possible Agreement. If there's a bargaining zone or range between the figures your manager has in mind and the figures you have in mind, there's a place within that zone where the two of you could reach agreement.

Of course, you want to find the high end of that zone. But you probably won't know the parameters of the ZOPA going into the meeting with your manager; part of the skill of the negotiation process is to find and land in that zone of agreement.

But no matter what, in your upcoming meeting, you can set the stage for more money, either now, in the near-term, or on an agreed-upon date in the future. You can also go for the other negotiable options you've developed generated.

TIMING YOUR REQUEST

As far as timing a Merit Raise request, the Performance Review meeting is a common opportunity to address it. That said, leverage other timing opportunities if you can, outlined in the tactics on Competitive Pay Raise:

- Ask at the completion of an important project that went well.
- Ask after you've scored a major win for the company.
- Ask after you've won an internal or external award or recognition of some type.
- Ask after you've completed a certification that your employer required
- Ask after you've been assigned new job responsibilities, especially if that involves a promotion and new job title.

HOW MUCH?

Let's talk about **how much to ask for** when discussing a Merit Raise. First you need to find out the current going rate for base salary increases nationally. If possible, get figures in your industry, too, and also where you work.

A national figure is easy enough; an online search will usually get you what you need. Use this phrase:

Average raise in base pay for [current or coming year] in the [country where you work]

As a professional, you're looking for the raise amount for exempt employees, i.e. salaried, non-union, white-collar employees. The figures will vary annually, so find the latest data to match this year or projections for the coming year.

Your next step is to check with your profession's national association to see if they have any figures for base salary increases for the current or coming year.

Most helpful will be knowing what the projected merit pay increase will be for *your* employer and *your* department. There's no easy online search for this one. But if you can have the right conversation with the right connections—whatever you deem those to be—to get the correct information, you'll have a very useful reference from which to gauge your raise request.

If not, you'll have to rely on the national figure and your profession's information that you surfaced.

Okay, you have your best estimate of the base salary increase. Then what? Assuming your job Performance Review reflects your well-documented and measurable job performance, and you're recognized as a valuable member of the team, and you're getting a positive review, here's the tactic to use when setting your Merit Raise goal:

Aim high.

YES, AIM HIGH

That's right. Set an ambitious target which pushes the limits of what you think is possible, yet is realistic enough for potential agreement by your manager.¹

Why go high? Research shows that those with higher targets “tend to get more of what they want than people who go in with more moderate goals.”² A direct correlation, in fact.³

According to negotiation researcher, Linda Babcock, there's also a direct correlation between how much you ask for and how much you end up getting. She advocates and encourages women to set a high but reasonable target.⁴ I'm encouraging you to do that, too.

This isn't easy for women because of how they feel about asking for more money. There's discomfort about looking pushy, greedy or ungrateful. These feelings reflect women's concern for how others perceive them and, by inference, how that will impact relationships.

Research shows that this fear about the impact on relationships is a major reason why women don't like to ask for something for themselves; they fear it will harm the relationship and they don't want to risk that.

If you have similar fears, I encourage you to reframe your way of thinking. Meaning, look at the request in a different way. It's *not* personal; it's business. Separate the people from the problem.

Let's say you're a lawyer and your best friend is an elementary school teacher. That means, your salary is probably six figures higher than hers! But that's not a reason to think, “Oh, I should make a lot less so I'm on par with my best friend.”

No. The money, your salary, has nothing to do with your friendship. Your individual salaries are a reflection of market value for your jobs, not your *personal* relationship. It's a business measure.

Can you see how reframing the salary issue to match that reality makes it easier to ask for the raise *you* deserve?

Another example: If you're asking for a 5% or 7% or even 15% Merit Raise because of your stellar past performance, and future potential to add even more value to the organization, that's not about being pushy or ungrateful for your current salary; it's recognition of your professional worth and the contributions you've made and will continue to make.

(If your contributions have been modest, maybe your request needs to be modest. Assess the whole picture. Just be careful not to focus on a perceived deficiency and underestimate your professional worth, which women are inclined to do.)

“DO I HAVE TO?”

What if you're still thinking, “But I don't really need more money. I'm getting by fine. Do I *have* to set a high target?” I bring you back to negotiation researcher Linda Babcock for the answer, and the answer is “yes.”

In her *Ask For it* book, she makes the point that it's not about how much you need, but about how much you're worth, because “your salary functions as a gauge of your professional progress and an important source of information about your abilities...By not earning as much as you're worth, you risk communicating something inaccurate about your abilities.”⁵

Isn't that brilliant? It makes sense because we do the same thing. We're wary of the doctor who charges below-market rates for Lasik eye surgery. We don't go to the hair salon with the super cheap haircuts. You probably wouldn't choose a piano teacher or babysitter for your child if their rates were uncomfortably lower than the average.

Price colors our perception of quality. Your salary level colors others' perception of the quality of your work, so being underpaid works against you.

And what about the respect issue? In my opinion, getting paid what you're worth also reflects the degree of respect you have for yourself.

And speaking of respect, being underpaid negatively impacts how your employer perceives you and treats you, don't you think? That has far-reaching implications in every other aspect of your work, including everyday communication, or asking for other things, such as a request to attend a professional conference in another city, or getting a promotion.

Women have a pattern of undervaluing their contributions and asking for, or accepting, less than they deserve. Because of the discomfort they have with negotiating, the tendency is to concede too early and too often.

Mastering the pay raise conversation means you won't concede too early next time. And setting an ambitious goal will help prevent you from doing that.

THE IMPACT OF ANCHORING

If you're now convinced to aim high, let's take a look at another negotiation tactic called **anchoring**. Quoting from [Harvard Law School's Program on Negotiation glossary](#): anchoring is "an attempt to establish an initial position around which negotiators will make adjustments."

Put another way, again from the glossary, "Anchoring is a cognitive bias that describes the common human tendency to rely too heavily on the first piece of information offered (the "anchor") when making decisions." So what does that look like in your meeting?

When you're having the pay raise conversation with your manager, you'll present your Merit Raise expectation amount *before* she does. And you'll anchor an amount that is above your **Aspiration Point**. In fact, you can present a range, using your **Aspiration Point** figure for the low end and your **Anchor Point** for the high end.

When your manager hears your **Anchor Point** figure, it sets the anchor of your Merit Raise expectation high in her mind. In turn, that anchor impacts her decision-making about the raise you'll ultimately be granted. (Within the constraints of the budget, of course.)

The main point here is that you'll be naming the pay raise figure first. This approach is backed up by [current validated wisdom and research in negotiation](#). Some will reject this tactic, but I offer it here as an option for you to consider.

In any case, your spoken higher expectations not only influence your manager's response about what you'll accept, it also keeps you from accepting too little, too soon. That should lead to a higher final negotiated outcome, meaning, more money, than what you might have otherwise expected.⁶

Here's a case of not just accepting what your employer set and planned to dole out to you. You go for more if it's merited. After all, it's a Merit Raise.

Your final figures will depend on your performance, what's going on with your employer and its performance in the marketplace, and the current economy. You need to devise a custom-fit strategy. Consider what you've learned so far and do your course assignments to help you in this effort.

NOTES

1. Linda Babcock and Sara Laschever, *Ask for It*, (Bantam Dell, 2008), 253
2. Linda Babcock and Sara Laschever, *Women Don't Ask: Negotiation and the Gender Divide* (Princeton: Princeton University Press, 2003), 132
3. Linda Babcock and Sara Laschever, *Ask for It*, (Bantam Dell, 2008), 207
4. Ibid.
5. Ibid., 158
6. Linda Babcock and Sara Laschever, *Women Don't Ask: Negotiation and the Gender Divide* (Princeton: Princeton University Press, 2003), 132-133